

CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED MAY 4, 2005

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

REPRESENTATIVE CEDRIC RICHMOND, CHAIRMAN
SENATOR J. "TOM" SCHEDLER, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

ALBERT J. ROBINSON, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Three copies of this public document were produced at an approximate cost of \$6.21. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.lla.state.la.us. When contacting the office, you may refer to Agency ID No. 5852 or Report ID No. 05001095 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225/339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

April 19, 2005

**CAPITAL AREA HUMAN SERVICES DISTRICT
DEPARTMENT OF HEALTH AND HOSPITALS
STATE OF LOUISIANA**

Baton Rouge, Louisiana

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Capital Area Human Services District. Our procedures included (1) a review of the district's internal controls; (2) tests of financial transactions for the period from July 1, 2003, through April 19, 2005; (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities for the period from July 1, 2003, through April 19, 2005; and (4) a review of compliance with prior year report recommendations. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and selected district personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Report of the Capital Area Human Services District was not audited or reviewed by us, and, accordingly, we do not express an opinion on that report. The district's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior report on the Capital Area Human Services District, dated March 14, 2003, we reported a finding relating to insufficient controls over receipts. That finding is addressed again in this report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Inaccurate Schedule of Expenditures of Federal Awards

The Capital Area Human Services District (CAHSD) did not submit an accurate *Schedule of Expenditures of Federal Awards* (SEFA) with the annual fiscal report submitted to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) for the year ended June 30, 2004. Office of Management and Budget Circular A-133 requires auditees to prepare a schedule of expenditures of federal awards for the period covered by the financial statements to report the total expenditures for each federal program.

A review of the SEFA submitted to OSRAP disclosed that federal expenditures of \$47,867 for the Housing and Urban Development Supportive Housing Program were not included in the SEFA. This condition existed because the CAHSD does not have adequate procedures for tracking and reporting federal program expenditures.

The CAHSD should fully develop and implement procedures for preparing an accurate and complete SEFA as required by federal regulations and OSRAP. Management concurred with the finding and outlined corrective action. See management's response at Appendix A, page 1.

Insufficient Control Over Receipts

For the second consecutive year, the CAHSD does not have adequate controls over receipts to ensure that funds are deposited immediately and that patient fees deposited into local bank accounts are transferred timely to the State Treasurer's Office. Employees of the CAHSD did not consistently follow district control procedures for cash receipts. CAHSD policy 306-03 states that a deposit of all fees received shall be made on the date of receipt, when possible, but no later than the next business day. If checks and money orders only are received, receipts shall be deposited to the local bank whenever funds on hand total \$100 or more, but at a minimum of once per week and all funds on hand at 3:00 p.m. on Friday shall be deposited to the local bank. According to the CAHSD policy, ineligible patient fee reports, along with a check transferring the ineligible patient fees to the State Treasurer's Office, should be submitted to Department of Health and Hospitals Fiscal Management on or prior to the 10th of each month. The person receiving fees other than patient fees, including refunds, grants, donations, and training fees, shall date stamp each item and stamp each check or money order with the appropriate bank endorsement upon receipt. The bank statement reconciliation must be submitted to the preparer's supervisor for review and approval.

A review of the district's controls over receipts disclosed the following conditions:

- The CAHSD did not deposit cash receipts timely into the local bank accounts. Receipts totaling \$266 from Ineligible Patient Fees from March 2004 through November 2004 were deposited five to 12 days late. The CAHSD Administrative Office also received a private grant check for \$5,000 that was deposited 13 days after the award date.

- The employee responsible for maintaining the local bank account for the Capital Area Center for Addictive Disorders and the Capital Area Recovery Program did not transfer funds deposited into the local account to the State Treasurer's Office on a timely basis. Receipts totaling \$974.50 that were deposited from August 2003 through December 2003 were not transferred to the State Treasurer's Office until February 19, 2004. Receipts totaling \$2,672.14 that were deposited from January 2004 through December 2004 have not been transferred to the State Treasurer's Office as of February 16, 2005. Bank reconciliations were not reviewed by management to determine if receipts were being transferred in a timely manner.
- The CAHSD Administrative Office did not date stamp checks or supporting documentation when received. All four grant checks tested did not contain date stamps.

Management has not placed sufficient emphasis on controls over cash receipts and has not adequately supervised employees responsible for maintaining the local bank accounts. Failure to establish controls over receipts increases the risk that receipts may be lost and such losses will not be detected in a timely manner.

CAHSD management should provide adequate supervision of employees responsible for maintaining the bank accounts to ensure that policies and procedures are followed. Management concurred in part with the finding and outlined corrective action. See management's response at Appendix A, pages 2-3.

Unsecured Bank Deposits

The CAHSD did not ensure that adequate securities were pledged for all deposits in its local bank accounts. Louisiana Revised Statutes 39:1219 through 39:1225 require that funds deposited by a political subdivision be secured and the amount of security pledged to be equal to one hundred percent of the amount of collected funds on deposit to the credit of each depositing authority except that portion of the deposits insured by a governmental agency such as FDIC.

The CAHSD is a political subdivision that is not required to deposit its money into the state treasury. The CAHSD deposits grant checks and other self-generated revenue in a local bank account. The CAHSD had unsecured deposits of \$8,748 and \$8,734 for two months in the fiscal year ended June 30, 2004, and unsecured deposits ranging from \$7,702 to \$117,864 over a 3-month period in the fiscal year ending June 30, 2005. Failure to ensure that deposits are adequately collateralized increases the risk that funds could be lost.

CAHSD management should ensure that adequate securities are pledged for all deposits in its bank accounts. Management concurred with the finding and outlined corrective action. See management's response at Appendix A, page 4.

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the district. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the district should be considered in reaching decisions on courses of action. Findings relating to the district's compliance with applicable laws and regulations should be addressed immediately by management.

This report is intended solely for the information and use of the district and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", is written over the printed name.

Steve J. Theriot, CPA
Legislative Auditor

CRV:WDG:PEP:dl

CAJSD05

Management's Corrective Action
Plans and Responses to the
Findings and Recommendations

ASCENSION
Chris Matassa
Clarence Speed

EAST BATON ROUGE
Marilyn Hines Burgess
Dana Carpenter, Ph.D.
Sister Linda Constantin
Judy Ewell Day
Larry D. Smith

EAST FELICIANA
Kay M. Andrews
Melanie Vines



IBERVILLE
Rev. Louis C. Askins
Judge William Dupont

POINTE COUPEE
Mildred Duhe

WEST BATON ROUGE
Larry Durbin, Chairman
W. Douglas Wilkinson

WEST FELICIANA
Amy P. Betts
Mark Chustz

April 04, 2005

Mr. Steve J. Theriot
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

We have reviewed your finding entitled *Inaccurate Schedule of Expenditures of Federal Awards* for the Capital Area Human Services District and we concur with the finding.

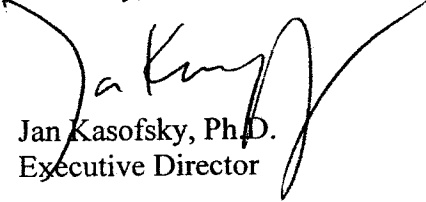
The Capital Area Human Services District received a federal grant from the Housing and Urban Development Supportive Housing Program during the fiscal year 2004. All funds for this grant were processed through the Division of Administrations' ISIS/AFS systems, however, we did not inform the DHH Office of Management and Finance (OMF) of their source. As a result, OMF was unable to properly classify these funds in preparation of the annual Schedule of Expenditures of Federal Awards for the District.

The DHH Office of Management and Finance has since corrected the District's SEFA for the period ended June 30, 2004.

The District is currently working with Jeff Reynolds, Administrator, DHH Division of Fiscal Management to develop the necessary accounting structure, policies, and/or procedures to ensure that all federal grant funds received by the District are properly categorized when reported in future annual fiscal reports.

The Deputy Director, Carol Nacoste, will be the contact person responsible for ensuring that the above corrective action plan is enforced. The anticipated completion date is July 30, 2005.

Sincerely,


Jan Kasofsky, Ph.D.
Executive Director

ASCENSION
Chris Matassa
Clarence Speed

EAST BATON ROUGE
Marilyn Hines Burgess
Dana Carpenter, Ph.D.
Sister Linda Constantine
Judy Ewell Day
Larry D. Smith

EAST FELICIANA
Kay M. Andrews
Melanie Vines



IBERVILLE
Rev. Louis C. Askins
Judge William Dupont

POINTE COUPEE
Mildred Duhe

WEST BATON ROUGE
Larry Durbin, Chairman
W. Douglas Wilkinson

WEST FELICIANA
Amy P. Betts
Mark Chustz

April 04, 2005

Mr. Steve J. Theriot
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

We have reviewed your finding entitled *Insufficient Control Over Receipts* for the Capital Area Human Services District and we concur in part with the finding.

The first reported condition is "Capital Area Human Services District did not deposit cash receipts timely into the local bank accounts. Receiptsfrom March 2004 through November 2004 were deposited 5 to 12 days late. The CAHSD.....received a private grant check for \$5,000 that was deposited 13 days after the award date."

We concur with this condition of the finding. We are in the process of reviewing our existing policy for revisions to include quarterly audits of account transactions by the chief accountant and will ensure that those employees performing these tasks are properly trained or retrained on its' application. Once this process is complete, repeat instances will be handled through the employee performance and appraisal and/or disciplinary process.

The second condition is "The employee responsible for maintaining the local bank account for the Capital Area Center for Addictive Disorders and the Capital Area Recovery Program did not transfer funds deposited into the local account to the State Treasurer's Office on a timely basis. Bank reconciliations were not reviewed to determine if receipts were being transferred in a timely manner."

We concur in part with this condition of the finding. The CAHSD Management is aware that these funds were not being transferred to the State Treasurer's Office. This was a result of the failing of the software (ECHO) being used to manage this account. We had been unsuccessful in preparing and reconciling patient billing accounts and Ineligible Fee Reports for this account due to the problematic software, and therefore, did not transfer these funds. The policy quoted in your finding "CAHSD policy 306-03" states in part; Section III. Receiving Cash-Payment of Patient Fees; 6. A third person, if available, **shall prepare and reconcile the patient billing account (in accordance with ARAMIS, ECHO, MIS, etc. procedure)**, bank statement, Ineligible Patient Fee Report, and reports for other fees collected. 7. **Upon approval of the documents in Item 6 above**, the original check for Ineligible Patient Fees, the Ineligible Patient Fee Report, and a copy of the bank statement are to be submitted on or prior to the 10th of each month to: In accordance with our policy, because this

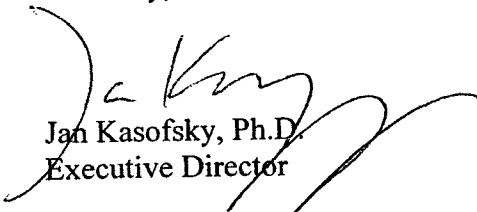
account could not be reconciled and the required reports could not be produced, the employee managing this account was not instructed to transfer the funds and therefore we do not concur with this portion of the condition. The opinion of the auditor performing the review is that we should have transferred the funds even if we could not reconcile the account. We have now instructed our staff to transfer all Ineligible Patient Fee funds to the State Treasurer's Office pending the revision of our policy and further **clarification** of how we will handle situations of this nature in the future. We concur with the portion of this condition that bank reconciliations were not reviewed and have revised our policy to require the supervisor's signature on the bank statement as confirmation that this review is taking place during the monthly process.

The third condition is "The CAHSD Administrative Office did not date stamp checks or supporting documentation when received. All four grant checks tested did not contain date stamps."

We concur with this condition of the finding. Specific instruction has been given to those employees receiving these funds to ensure that the face of all checks received (or accompanying supporting documentation) is date stamped upon receipt. Temporary instruction has been provided to all CAHSD staff who may receive funds for the District on how to properly handle these receipts pending completion and issuance of the policy revisions. During the revision of this policy, we will include guidelines for quarterly monitoring of compliance with this policy.

The Deputy Director, Carol Nacoste, will be the contact person responsible for ensuring that the above corrective action plan is enforced. The anticipated completion date for implementation of the policy revisions and training is July 30, 2005.

Sincerely,



Jan Kasofsky, Ph.D.
Executive Director

ASCENSION
Chris Matassa
Clarence Speed

EAST BATON ROUGE
Marilyn Hines Burgess
Dana Carpenter, Ph.D.
Sister Linda Constantin
Judy Ewell Day
Larry D. Smith

EAST FELICIANA
Kay M. Andrews
Melanie Vines



IBERVILLE
Rev. Louis C. Askins
Judge William Dupont

POINTE COUPEE
Mildred Duhe

WEST BATON ROUGE
Larry Durbin, Chairman
W. Douglas Wilkinson

WEST FELICIANA
Amy P. Betts
Mark Chustz

April 04, 2005

Mr. Steve J. Theriot
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

We have reviewed your finding entitled *Unsecured Bank Deposits* for the Capital Area Human Services District and we concur with the finding.

R.S. 39:1219. Fiscal agent banks; trust funds and security: reads

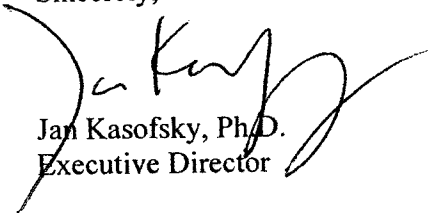
Any fiscal agent bank, operating under the laws of this state for the purpose of paying bonds and coupons of this state, of any political subdivision, or of any depositing authority, shall set aside all such funds deposited by any depositing authority as trust funds, and it shall deposit and maintain with an unaffiliated bank, the security designated in R.S. 39:1221 in the same manner provided in R.S. 39:1221; R.S. 39:1223; R.S. 39:1224. This security shall be for the account of the depositing authority, and, as a guarantee against loss to either the depositing authority or the holders of the bonds and coupons, it shall at all times be equal to one hundred per cent of the balance on deposit in the trust funds.

Upon request of your office for confirmation of collateral on the funds held in this account on February 15, 2005, Ms. Carol Nacoste contacted Mr. Tom Govan of Hibernia National Bank's Public Funds Department. During this conversation, Mr. Govan informed us that the branch office where we opened our account had not informed his office that this was a governmental account and therefore the account was not established for securities in accordance with the revised statute governing these accounts (quoted above).

Mr. Govan immediately faxed the Pledge Agreement forms to us for completion to establish the required securities for these funds. This agreement is permanent and cannot be dissolved without the signature of both the Executive and Deputy Director of the District.

The necessary collateral was placed on these funds effective February 23, 2005.

Sincerely,


Jan Kasofsky, Ph.D.
Executive Director